

ATTACHMENT C

LEASE SUMMARY:

Lease No.

Lessor: Alacano Family L.L.C.

Water Right Nos.: 2-10034 & 2-10248

Quantity: 1,218.9 AF, 406.3 Acres

WATER RIGHTS LEASE AGREEMENT

This Lease Agreement ("LEASE") made and entered into between the undersigned Lessor, and IDAHO GROUND WATER APPROPRIATORS, INC. ("IGWA"), acting for and on behalf of American Falls-Aberdeen, Bingham, Bonneville, Jefferson, Magic Valley, and North Snake Ground Water Districts, whose address is P.O. Box 1391, Pocatello, Idaho 83204 (collectively "Lessee"):

1. **Leased Property.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	POD	Priority	Quantity CFS/AF	Acres
2-10034 & 2-10248	T=05S, R=09E, S=34	5-6-1963 & 2-20-1963	1,218.9	406.3

Total: 1,218.9 AF & 406.3 acres

The foregoing water rights will hereafter be referred to as the "leased water rights".

2. **Term.** The term of this Lease shall be for a term commencing the date of signing as indicated below and terminating on November 15, 2005.

3. **Rent.** For the use of the leased water rights Lessee shall pay to Lessor rent in the amount of \$_____ per irrigated acre (3 A/F x _____. The rent shall be paid one-half on May 30, 2005, and one-half on December 1, 2005.

3.1 The total acres and rent under this Lease is based upon Lessor's represented water rights and irrigated acres under the leased water rights in Lessor's Offer For Lease Proposal 1 and is subject to adjustment to the actual irrigated acres if different.

3.2 This lease agreement is conditional upon IDWR's review of Lessor's water right(s) and determination that the leased acres are eligible and

qualified following the eligibility criteria set forth in items 1, 2, 3 in paragraph B in the Snake River Basin Water Rights Acquisition Program set forth in the Invitation for Offers to Sell Water Rights dated December 7, 2004, attached hereto as Exhibit "A"

- 3.3 Payment of the rent described above includes recognition and acknowledgement of an Option to Purchase **3,138.9 acre feet** of water consistent with paragraph 4 of the Letter of Intent dated April 1, 2005.

4. Non-Use by Lessor. Lessor covenants that it will not divert or utilize the leased water rights during the term of this Lease. The real property associated with the leased water rights will not be irrigated with the leased water rights but will remain under the sole management and control of Lessor and may be used for dry land agricultural, grazing or other uses.

- 4.1 Lessor grants to Lessee and/or IDWR access at all times to monitor lands subject to this Agreement.

5. Use by Lessee. During the term of this Lease, Lessee will not divert or utilize the leased water rights except for mitigation purposes. Lessee will have no authority or responsibility for the operation, maintenance, use or any damages related to the lands associated with the leased water rights.

6. Representations by Lessor. Lessor covenants and represents that it is the true and lawful owner of the water rights and the land to which they are appurtenant, that these water rights have not lapsed, been abandoned or forfeited, either in whole or in part, and that Lessor is not aware of anything that restricts or precludes Lessor from entering into this Lease and Lessee utilizing the described water rights as set forth in paragraph 5.

7. Breach. In the event either party breaches this Lease and such breach is not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;
- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

8. Assignment. This Agreement may not be assigned by Lessee without the express written consent of Lessor.

9. **Choice of Law.** The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of Idaho. Any required mediation and arbitration shall occur in Ada County Idaho. Jurisdiction and venue for any litigation shall be in the District Court of the State of Idaho in Ada County.

10. **Dispute Resolution.** Any dispute between the parties shall be resolved in accordance with the following provisions.

10.1 **Mediation.** The parties shall designate a single mediator and appear before the mediator and attempt to mediate a settlement of the dispute. In the event the parties cannot agree to a mediator, then each party shall designate a representative and they will appoint a single mediator who shall serve as the mediator for the parties. Mediator costs will be split evenly between the Lessor and Lessee.

10.2 **Arbitration.** In the event the dispute between the parties cannot be settled as a result of mediation as described above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 9, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties.

10.3 **Litigation.** Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation or pursuant to an arbitrator's decision.

11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

ENES "SAM" ALACAND

Enes Sam Alacand

By: *Kathleen M. Alacand*
Kathleen M. Alacand

LESSEE:

IDAHO GROUND WATER
APPROPRIATORS, INC.

By: _____
Its: _____

DATED this _____ day of _____, 2005.

LESSOR:

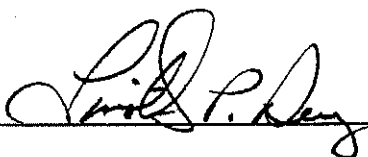
Alacano Family, L.L.C
c/o Enes Alacano
1995 Griswald Drive
Elko, NV 89801

By: _____

LESSEE:

IDAHO GROUND WATER
APPROPRIATORS, INC.

Acting for and on behalf of American Falls-Aberdeen,
Bingham, Bonneville-Jefferson, Magic Valley and North
Snake Irrigation Districts

By:  _____

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: Kevin Michaelson
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____
William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____
Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

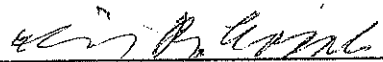
NORTH SNAKE GROUND WATER DISTRICT

By: _____
Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: _____
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: 
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____
William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____
Orlo Maughan, Chairman
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Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By: _____
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1989 S. 1875 E.
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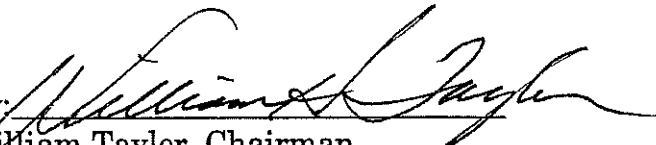
AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: _____
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

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William Taylor, Chairman
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William Taylor, Chairman
P.O. Box 51121
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453 W. 90 N.

Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By:  _____

Mike Faulkner, Chairman

1989 S. 1875 E.

Gooding, ID 83330

LEASE SUMMARY:
Lease No.
Lessor: Blaine Hulet
Water Right Nos.: 2-7001 & 2-2361
Quantity: 1800 AF, 600 Acres

WATER RIGHTS LEASE AGREEMENT

This Lease Agreement ("LEASE") made and entered into between the undersigned Lessor, and IDAHO GROUND WATER APPROPRIATORS, INC. ("IGWA"), acting for and on behalf of American Falls-Aberdeen, Bingham, Bonneville, Jefferson, Magic Valley, and North Snake Ground Water Districts, whose address is P.O. Box 1391, Pocatello, Idaho 83204 (collectively "Lessee"):

1. Leased Property. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	POD	Priority	Quantity CFS/AF	Acres
2-7001	T=03S, R=01E, S=06	7-15-1967	1800 AF	600
2-2361	T=03S, R=01E, S=06	1-08-1965		

Total: 1800 AF & 600 acres

The foregoing water rights will hereafter be referred to as the "leased water rights".

2. Term. The term of this Lease shall be for a term commencing the date of signing as indicated below and terminating on November 15, 2005.

3. Rent. For the use of the leased water rights Lessee shall pay to Lessor rent in the amount of \$ _____ per irrigated acre (3 A/F x _____). The rent shall be paid one-half on May 30, 2005, and one-half on December 1, 2005.

3.1 The total acres and rent under this Lease is based upon Lessor's represented water rights and irrigated acres under the leased water rights in Lessor's Offer For Lease Proposal 1 and is subject to adjustment to the actual irrigated acres if different.

3.2 This lease agreement is conditional upon IDWR's review of Lessor's water right(s) and determination that the leased acres are eligible and qualified following the eligibility criteria set forth in items 1, 2, 3 in paragraph B in the Snake River Basin Water Rights Acquisition Program set forth in the Invitation for Offers to Sell Water Rights dated December 7, 2004, attached hereto as Exhibit "A"

3.3 Payment of the rent described above includes recognition and acknowledgement of an Option to Purchase **1800 acre feet** of water consistent with paragraph 4 of the Letter of Intent dated April 1, 2005.

4. **Non-Use by Lessor.** Lessor covenants that it will not divert or utilize the leased water rights during the term of this Lease. The real property associated with the leased water rights will not be irrigated with the leased water rights but will remain under the sole management and control of Lessor and may be used for dry land agricultural, grazing or other uses.

4.1 Lessor grants to Lessee and/or IDWR access at all times to monitor lands subject to this Agreement.

5. **Use by Lessee.** During the term of this Lease, Lessee will not divert or utilize the leased water rights except for mitigation purposes. Lessee will have no authority or responsibility for the operation, maintenance, use or any damages related to the lands associated with the leased water rights.

6. **Representations by Lessor.** Lessor covenants and represents that it is the true and lawful owner of the water rights and the land to which they are appurtenant, that these water rights have not lapsed, been abandoned or forfeited, either in whole or in part, and that Lessor is not aware of anything that restricts or precludes Lessor from entering into this Lease and Lessee utilizing the described water rights as set forth in paragraph 5.

7. **Breach.** In the event either party breaches this Lease and such breach is not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;
- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

9. **Choice of Law.** The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of Idaho. Any required mediation and arbitration shall occur in Ada County Idaho. Jurisdiction and venue for any litigation shall be in the District Court of the State of Idaho in Ada County.

10. **Dispute Resolution.** Any dispute between the parties shall be resolved in accordance with the following provisions.

10.1 **Mediation.** The parties shall designate a single mediator and appear before the mediator and attempt to mediate a settlement of the dispute. In the event the parties cannot agree to a mediator, then each party shall designate a representative and they will appoint a single mediator who shall serve as the mediator for the parties. Mediator costs will be split evenly between the Lessor and Lessee.

10.2 **Arbitration.** In the event the dispute between the parties cannot be settled as a result of mediation as described above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 9, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties.

10.3 **Litigation.** Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation or pursuant to an arbitrator's decision.

11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

May 05 05 02:02p Blaine Hulet
May 04 05 03:37p C & L CASTAGNETO208-834-2440
2084875946

p.4 P.1

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

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11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

DATED this 5th day of May, 2005.

LESSOR:

Murphy Flat Water Co. Inc.
Don Hordley (President)
Blaine Hulet Land Owner
DRAFT 4-27-05

LEASE OF WATER RIGHTS - 3

By: Blaine Hulet / Land owner

LESSEE:

IDAHO GROUND WATER
APPROPRIATORS, INC.

By: _____
Its: _____

DATED this _____ day of _____, 2005.

LESSOR:

**Blaine Hulet
15103 Murphy Flat Road
Murphy, ID 83650**

By: _____
Don Hartley – President

By: _____
Blaine Hulet - Landowner

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

Acting for and on behalf of American Falls-Aberdeen,
Bingham, Bonneville-Jefferson, Magic Valley and North
Snake Irrigation Districts

By:  _____

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: Kevin Michaelson

Kevin Michaelson, Chairman

2590 Quigley

American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____

Craig Evans, Chairman

1523 W. 300 N.

Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____

William Taylor, Chairman

P.O. Box 51121

Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____

Orlo Maughan, Chairman

453 W. 90 N.

Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By: _____

Mike Faulkner, Chairman

1989 S. 1875 E.

Gooding, ID 83330

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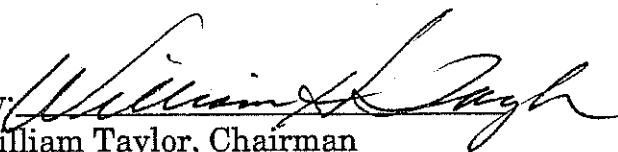
BINGHAM GROUND WATER DISTRICT

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Orlo Maughan, Chairman
453 W. 900N.
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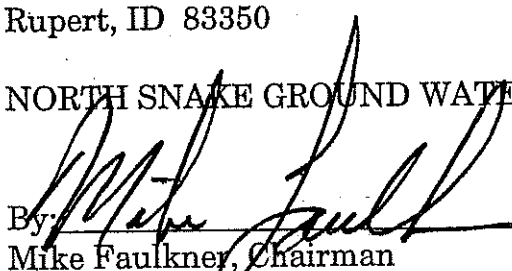
MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____

Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By: _____


Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

LEASE SUMMARY:

Lease No.

Lessor: Falcon Butte Farms

Water Right Nos.: 2-2361, 2-7001, 2-10017, 2-2251 & claim

Quantity: 15,599.4 AF, 5,199.8 Acres

WATER RIGHTS LEASE AGREEMENT

This Lease Agreement ("LEASE") made and entered into between the undersigned Lessor, and IDAHO GROUND WATER APPROPRIATORS, INC. ("IGWA"), acting for and on behalf of American Falls-Aberdeen, Bingham, Bonneville, Jefferson, Magic Valley, and North Snake Ground Water Districts, whose address is P.O. Box 1391, Pocatello, Idaho 83204 (collectively "Lessee"):

1. **Leased Property.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	POD	Priority	Quantity CFS/AF	Acres
2-7001 & 2-2361	T=03S, R=01E, S=06	7-13-1967	9491.1	3163.7
2-2251	T=02S, R=01E, S=30	11-17-1964	597.6	199.2
2-10017	T=02S, R=01E, S=30	12-4-1963	5093.4	1697.8
Claim		1965	417.3	139.1

See attached

Total: 15,599.4 AF & 5,199.8 acres

The foregoing water rights will hereafter be referred to as the "leased water rights".

2. **Term.** The term of this Lease shall be for a term commencing the date of signing as indicated below and terminating on November 15, 2005.

3. **Rent.** For the use of the leased water rights Lessee shall pay to Lessor rent in the amount of _____; per irrigated acre (3 A/F x _____. The rent shall be paid one-half on May 30, 2005, and one-half on December 1, 2005.

- 3.1 The total acres and rent under this Lease is based upon Lessor's represented water rights and irrigated acres under the leased water rights in Lessor's Offer For Lease Proposal 1 and is subject to adjustment to the actual irrigated acres if different.
- 3.2 This lease agreement is conditional upon IDWR's review of Lessor's water right(s) and determination that the leased acres are eligible and qualified following the eligibility criteria set forth in items 1, 2, 3 in paragraph B in the Snake River Basin Water Rights Acquisition Program set forth in the Invitation for Offers to Sell Water Rights dated December 7, 2004, attached hereto as Exhibit "A"
- 3.3 Payment of the rent described above includes recognition and acknowledgement of an Option to Purchase **14,699.4 acre feet** of water consistent with paragraph 4 of the Letter of Intent dated April 1, 2005.

4. **Non-Use by Lessor.** Lessor covenants that it will not divert or utilize the leased water rights during the term of this Lease. The real property associated with the leased water rights will not be irrigated with the leased water rights but will remain under the sole management and control of Lessor and may be used for dry land agricultural, grazing or other uses.

- 4.1 Lessor grants to Lessee and/or IDWR access at all times to monitor lands subject to this Agreement.

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7. **Breach.** In the event either party breaches this Lease and such breach is not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;

- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

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11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

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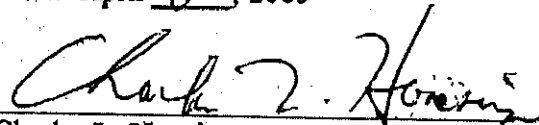
AUTHORIZATION

THE MURPHY FLATS WATER COMPANY, INC. does hereby authorize FALCON BUTTE FARMS, INC. and GEORGE GRANT to offer for sale and/or lease those water rights owned by Murphy Flats Water Company, Inc. that are appurtenant to the lands that are leased/rented with an option to purchase said lands by Falcon Butte Farms, Inc. and George Grant pursuant to that Agreement dated October 7, 2004 between Falcon Butte Farms, Inc. and the landowners/lessors/sellers listed below:

HFM Murphy Flats, LLC
Jay and Gertrude Hulet Living Trust
S and M Allen Family Murphy Flat, LLC
Janice Rudeen
Robyn Rudeen
Michael and Linda Ihli
Alexis A. Ihli
Nicholas J. Ihli
Nathan M. Ihli
Marcia C. Hulet

Said lands are located in Township 3 South, Range 1 West, Boise Meridian, Owyhee County, and are known collectively as "Murphy Flat Farm." The water rights appurtenant to these lands comprise approximately 3303 acres.

Date: April 8, 2005



Charles L. Honsinger

Attorney In Fact for the Murphy Flat Water Company, Inc.

DATED this _____ day of _____, 2005.

LESSOR:


Falcon Butte Farms, Inc.
3497 Pump Road
Nampa, ID 83686-9155

By: _____

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

Acting for and on behalf of American Falls-Aberdeen,
Bingham, Bonneville-Jefferson, Magic Valley and North
Snake Irrigation Districts

By:  _____

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: Kevin Michaelson
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____
William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____
Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

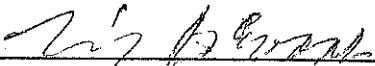
NORTH SNAKE GROUND WATER DISTRICT

By: _____
Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

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By: _____
Kevin Michaelson, Chairman
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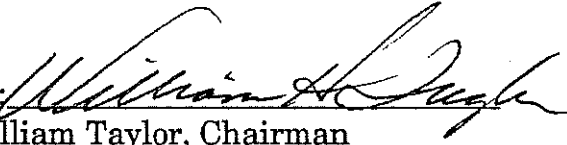
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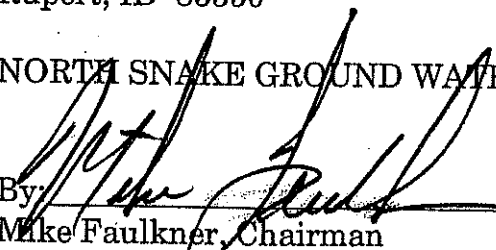
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By:  _____
Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

ATTACHMENT TO WATER RIGHTS LEASE AGREEMENT

Addition to Paragraph 1. Leased Property.

Water Right No.	POD	Priority	Quantity Acre Feet	Acres
2-2361	Snake River	1-8-65	9,491.1	3,163.7
2-7001	Snake River	7-13-67	(This covers the same water right)	
2-4007 10017	Snake River	12-4-63	5,093.4	1,697.8
2-2251	Snake River	11-17-64	597.6	199.2
*Claim	Snake River	1965	<u>417.3</u>	<u>139.1</u>
		Totals	15,599.4	5,199.8

*The Claim is pending with IDWR and may or may not have a determination finished in time for lease this year.

Including the claim, there is approximately 5199.8 acres for lease. However, lessor reserves the right to hold back up to 300 acres from the final sale. If we do hold back, the 139.1 acres currently under claim will be part of the 300 acres, so the final sale amount will be approximately 4899.8 acres.

Addition to Paragraph 6. Representations by Lessor.

We have an exclusive irrevocable right to lease and sell the water rights and the land to which they are appurtenant. See further attachments.

**Regarding: MEMORANDUM OF AGREEMENTS FOR LEASE AND
PURCHASE OF REAL PROPERTY (Staker Butte Farm)**

Dear Sir or Madam,

This Memorandum memorializes the existence of confidential Agreements entered into between Falcon Butte Farms, Inc. (Hereinafter Falcon Butte) and Jay Hulet dealing with the property and water rights appurtenant thereto described herein.

Those Agreements confer upon Falcon Butte the rights and authorities necessary to enter into water rights leases and the sale of the property and water rights with the State of Idaho and others as Falcon Butte sees fit. Falcon Butte's right to lease the water rights is absolute for the year 2005 and its right to purchase and sell the property and/or water rights is absolute with the condition that final and full payments to Jay Hulet from Falcon Butte Farms, Inc. as directed in the aforementioned Agreements shall be made no later than the time of transfer of the property and/or water rights to another.

The property covered in the Agreements and this Memorandum are as follows:
Approximately 2560 acres all lying with Township 2 South, Range 1 West:

Section 14, approximately 120 acres

Section 15, approximately 280 acres

Section 21, approximately 40 acres

Section 22, approximately 360 acres

Section 23, approximately 480 acres

Section 26, approximately 480 acres

Section 27, approximately 480 acres

Section 34, approximately 120 acres

Total - approximately 2560 acres commonly known as the Staker Butte Farm. The water rights covered in the Agreements and this Memorandum are Rights Numbers 2-2251 (approximately 304 acres) and 2-10017 (approximately 2191 acres) appurtenant to the above described lands as defined in the described water rights.

June 5 2005
Date

Falcon Butte Farms
Falcon Butte Farms, Inc.

June 5, 2005
Date

Jay Hulet

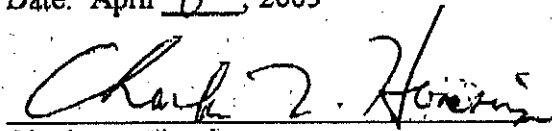
AUTHORIZATION

THE MURPHY FLATS WATER COMPANY, INC. does hereby authorize FALCON BUTTE FARMS, INC. and GEORGE GRANT to offer for sale and/or lease those water rights owned by Murphy Flats Water Company, Inc. that are appurtenant to the lands that are leased/rented with an option to purchase said lands by Falcon Butte Farms, Inc. and George Grant pursuant to that Agreement dated October 7, 2004 between Falcon Butte Farms, Inc. and the landowners/lessors/sellers listed below:

HFM Murphy Flats, LLC
Jay and Gertrude Hulet Living Trust
S and M Allen Family Murphy Flat, LLC
Janice Rudeen
Robyn Rudeen
Michael and Linda Ihli
Alexis A. Ihli
Nicholas J. Ihli
Nathan M. Ihli
Marcia C. Hulet

Said lands are located in Township 3 South, Range 1 West, Boise Meridian, Owyhee County, and are known collectively as "Murphy Flat Farm." The water rights appurtenant to these lands comprise approximately 3303 acres.

Date: April 8, 2005



Charles L. Honsinger

Attorney In Fact for the Murphy Flat Water Company, Inc.

LEASE SUMMARY:
Lease No.
Lessor: G. Patrick Morris
Water Right Nos.: 2-10240, 2-2206, & 2-2215
Quantity: _____ CFS _____ AF, 912.7 Acres

WATER RIGHTS LEASE AGREEMENT

This Lease Agreement ("LEASE") made and entered into between the undersigned Lessor, and IDAHO GROUND WATER APPROPRIATORS, INC. ("IGWA"), acting for and on behalf of American Falls-Aberdeen, Bingham, Bonneville, Jefferson, Magic Valley, and North Snake Ground Water Districts, whose address is P.O. Box 1391, Pocatello, Idaho 83204 (collectively "Lessee"):

1. Leased Property. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	POD	Priority	Quantity CFS/AF	Acres
2-10249	T=05S, R=09E, S=34	2-20-1963	1717.5	572.5
2-2186	T=05S, R=09E, S=34	1-09-1963	924	308

Total: 2,641.5 AF & 880.5 acres

The foregoing water rights will hereafter be referred to as the "leased water rights".

2. Term. The term of this Lease shall be for a term commencing the date of signing as indicated below and terminating on November 15, 2005.

3. Rent. For the use of the leased water rights Lessee shall pay to Lessor rent in the amount of \$ _____ per irrigated acre (3 A/F x _____). The rent shall be paid one-half on May 30, 2005, and one-half on December 1, 2005.

3.1 The total acres and rent under this Lease is based upon Lessor's represented water rights and irrigated acres under the leased water rights in Lessor's Offer For Lease Proposal 1 and is subject to adjustment to the actual irrigated acres if different.

3.2 This lease agreement is conditional upon IDWR's review of Lessor's water right(s) and determination that the leased acres are eligible and qualified following the eligibility criteria set forth in items 1, 2, 3 in paragraph B in the Snake River Basin Water Rights Acquisition Program set forth in the Invitation for Offers to Sell Water Rights dated December 7, 2004, attached hereto as Exhibit "A"

3.3 Payment of the rent described above includes recognition and acknowledgement of an Option to Purchase **3121.5 acre feet** of water consistent with paragraph 4 of the Letter of Intent dated April 1, 2005.

4. **Non-Use by Lessor.** Lessor covenants that it will not divert or utilize the leased water rights during the term of this Lease. The real property associated with the leased water rights will not be irrigated with the leased water rights but will remain under the sole management and control of Lessor and may be used for dry land agricultural, grazing or other uses.

4.1 Lessor grants to Lessee and/or IDWR access at all times to monitor lands subject to this Agreement.

5. **Use by Lessee.** During the term of this Lease, Lessee will not divert or utilize the leased water rights except for mitigation purposes. Lessee will have no authority or responsibility for the operation, maintenance, use or any damages related to the lands associated with the leased water rights.

6. **Representations by Lessor.** Lessor covenants and represents that it is the true and lawful owner of the water rights and the land to which they are appurtenant, that these water rights have not lapsed, been abandoned or forfeited, either in whole or in part, and that Lessor is not aware of anything that restricts or precludes Lessor from entering into this Lease and Lessee utilizing the described water rights as set forth in paragraph 5.

7. **Breach.** In the event either party breaches this Lease and such breach is not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;
- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

9. **Choice of Law.** The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of Idaho. Any required mediation and arbitration shall occur in Ada County Idaho. Jurisdiction and venue for any litigation shall be in the District Court of the State of Idaho in Ada County.

10. **Dispute Resolution.** Any dispute between the parties shall be resolved in accordance with the following provisions.

10.1 **Mediation.** The parties shall designate a single mediator and appear before the mediator and attempt to mediate a settlement of the dispute. In the event the parties cannot agree to a mediator, then each party shall designate a representative and they will appoint a single mediator who shall serve as the mediator for the parties. Mediator costs will be split evenly between the Lessor and Lessee.

10.2 **Arbitration.** In the event the dispute between the parties cannot be settled as a result of mediation as described above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 9, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties.

10.3 **Litigation.** Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation or pursuant to an arbitrator's decision.

11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

DATED this _____ day of _____, 2005.

DATED this _____ day of _____, 2005.

LESSOR:

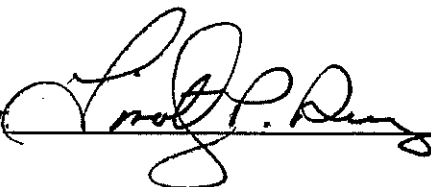
G. Patrick Morris
3100 W. Commodore Way #109
Seattle, WA 98199

By: _____

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

Acting for and on behalf of American Falls-Aberdeen,
Bingham, Bonneville-Jefferson, Magic Valley and North
Snake Irrigation Districts

By:  _____

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: Kevin Michaelson
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____
William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____
Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350


NORTH SNAKE GROUND WATER DISTRICT

By: _____
Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

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NORTH SNAKE GROUND WATER DISTRICT

By: _____

Mike Faulkner, Chairman

1989 S. 1875 E.

Gooding, ID 83330

LEASE SUMMARY:

Lease No.

Lessor: Grindstone-Butte Mutual Canal Co.

Water Right Nos.: 2-2314 & 2-2262

Quantity: 21,684.6 AF, 7228.2 Acres

WATER RIGHTS LEASE AGREEMENT

This Lease Agreement ("LEASE") made and entered into between the undersigned Lessor, and IDAHO GROUND WATER APPROPRIATORS, INC. ("IGWA"), acting for and on behalf of American Falls-Aberdeen, Bingham, Bonneville, Jefferson, Magic Valley, and North Snake Ground Water Districts, whose address is P.O. Box 1391, Pocatello, Idaho 83204 (collectively "Lessee"):

1. **Leased Property.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	POD	Priority	Quantity CFS/AF	Acres
2-2314	T=05S, R=09E, S=34	9-25-1964	1476	492
2-2262	T=05S, R=09E, S=34	12-6-1963	20,208.6	6736.2

Total: 21,684.6 AF & 7228.2 acres

The foregoing water rights will hereafter be referred to as the "leased water rights".

2. **Term.** The term of this Lease shall be for a term commencing the date of signing as indicated below and terminating on November 15, 2005.

3. **Rent.** For the use of the leased water rights Lessee shall pay to Lessor rent in the amount of \$ _____ per irrigated acre (3 A/F x _____). The rent shall be paid one-half on May 30, 2005, and one-half on December 1, 2005.

3.1 The total acres and rent under this Lease is based upon Lessor's represented water rights and irrigated acres under the leased water rights in Lessor's Offer For Lease Proposal 1 and is subject to adjustment to the actual irrigated acres if different.

3.2 This lease agreement is conditional upon IDWR's review of Lessor's water right(s) and determination that the leased acres are eligible and qualified following the eligibility criteria set forth in items 1, 2, 3 in paragraph B in the Snake River Basin Water Rights Acquisition Program set forth in the Invitation for Offers to Sell Water Rights dated December 7, 2004, attached hereto as Exhibit "A"

3.3 Payment of the rent described above includes recognition and acknowledgement of an Option to Purchase **25,771.5 acre feet** of water consistent with paragraph 4 of the Letter of Intent dated April 1, 2005.

4. **Non-Use by Lessor.** Lessor covenants that it will not divert or utilize the leased water rights during the term of this Lease. The real property associated with the leased water rights will not be irrigated with the leased water rights but will remain under the sole management and control of Lessor and may be used for dry land agricultural, grazing or other uses.

4.1 Lessor grants to Lessee and/or IDWR access at all times to monitor lands subject to this Agreement.

5. **Use by Lessee.** During the term of this Lease, Lessee will not divert or utilize the leased water rights except for mitigation purposes. Lessee will have no authority or responsibility for the operation, maintenance, use or any damages related to the lands associated with the leased water rights.

6. **Representations by Lessor.** Lessor covenants and represents that it is the true and lawful owner of the water rights and the land to which they are appurtenant, that these water rights have not lapsed, been abandoned or forfeited, either in whole or in part, and that Lessor is not aware of anything that restricts or precludes Lessor from entering into this Lease and Lessee utilizing the described water rights as set forth in paragraph 5.

7. **Breach.** In the event either party breaches this Lease and such breach is not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;
- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

9. **Choice of Law.** The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of Idaho. Any required mediation and arbitration shall occur in Ada County Idaho. Jurisdiction and venue for any litigation shall be in the District Court of the State of Idaho in Ada County.

10. **Dispute Resolution.** Any dispute between the parties shall be resolved in accordance with the following provisions.

10.1 **Mediation.** The parties shall designate a single mediator and appear before the mediator and attempt to mediate a settlement of the dispute. In the event the parties cannot agree to a mediator, then each party shall designate a representative and they will appoint a single mediator who shall serve as the mediator for the parties. Mediator costs will be split evenly between the Lessor and Lessee.

10.2 **Arbitration.** In the event the dispute between the parties cannot be settled as a result of mediation as described above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 9, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties.

10.3 **Litigation.** Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation or pursuant to an arbitrator's decision.

11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

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11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

DATED this 6 day of MAY, 2005.

LESSOR:

GRINDSTONE BUTTE Mutual Canal Company
Mark Noble Pres.

By: Mark D. [Signature] Pres.

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

By: _____
Its: _____

DATED this _____ day of _____, 2005.

LESSOR:

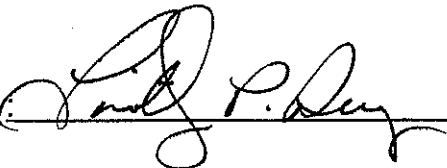
Grindstone-Butte Mutual Canal Co.
P.O. Box 2673
Boise, ID 83701

By: _____

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

Acting for and on behalf of American Falls-Aberdeen,
Bingham, Bonneville-Jefferson, Magic Valley and North
Snake Irrigation Districts

By:  _____

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: _____

Kevin Michaelson, Chairman

2590 Quigley

American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____

Craig Evans, Chairman

1523 W. 300 N.

Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____

William Taylor, Chairman

P.O. Box 51121

Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____

Orlo Maughan, Chairman

453 W. 90 N.

Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By: _____

Mike Faulkner, Chairman

1989 S. 1875 E.

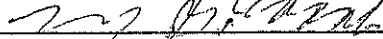
Gooding, ID 83330

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: _____

Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: 

Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____

William Taylor, Chairman
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Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____

Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By: _____

Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: _____

Kevin Michaelson, Chairman

2590 Quigley

American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____

Craig Evans, Chairman

1523 W. 300 N.

Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____


William Taylor, Chairman

P.O. Box 51121

Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____

Orlo Maughan, Chairman

453 W. 90 N.

Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By: _____

Mike Faulkner, Chairman

1989 S. 1875 E.

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Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

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Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____

William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: Orlo Maughan

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453 W. 90 N.
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William Taylor, Chairman
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Idaho Falls, Idaho 83405-1121

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By: _____

Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By: _____

Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

LEASE SUMMARY:
Lease No.
Lessor: Sailor Creek Water Company
Water Right Nos.: 2-2214
Quantity: 336 AF, 112 Acres

WATER RIGHTS LEASE AGREEMENT

This Lease Agreement ("LEASE") made and entered into between the undersigned Lessor, and IDAHO GROUND WATER APPROPRIATORS, INC. ("IGWA"), acting for and on behalf of American Falls-Aberdeen, Bingham, Bonneville, Jefferson, Magic Valley, and North Snake Ground Water Districts, whose address is P.O. Box 1391, Pocatello, Idaho 83204 (collectively "Lessee"):

1. **Leased Property.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	POD	Priority	Quantity CFS/AF	Acres
2-2214	T=05S, R=09E, S=34	5-6-1963	336	112

Total: 336 AF & 112 acres

The foregoing water rights will hereafter be referred to as the "leased water rights".

2. **Term.** The term of this Lease shall be for a term commencing the date of signing as indicated below and terminating on November 15, 2005.

3. **Rent.** For the use of the leased water rights Lessee shall pay to Lessor rent in the amount of \$ _____ per irrigated acre (3 A/F x \$ _____). The rent shall be paid one-half on May 30, 2005, and one-half on December 1, 2005.

3.1 The total acres and rent under this Lease is based upon Lessor's represented water rights and irrigated acres under the leased water rights in Lessor's Offer For Lease Proposal 1 and is subject to adjustment to the actual irrigated acres if different.

3.2 This lease agreement is conditional upon IDWR's review of Lessor's water right(s) and determination that the leased acres are eligible and

qualified following the eligibility criteria set forth in items 1, 2, 3 in paragraph B in the Snake River Basin Water Rights Acquisition Program set forth in the Invitation for Offers to Sell Water Rights dated December 7, 2004, attached hereto as Exhibit "A"

- 3.3 Payment of the rent described above includes recognition and acknowledgement of an Option to Purchase **771 acre feet** of water consistent with paragraph 4 of the Letter of Intent dated April 1, 2005.

4. **Non-Use by Lessor.** Lessor covenants that it will not divert or utilize the leased water rights during the term of this Lease. The real property associated with the leased water rights will not be irrigated with the leased water rights but will remain under the sole management and control of Lessor and may be used for dry land agricultural, grazing or other uses.

- 4.1 Lessor grants to Lessee and/or IDWR access at all times to monitor lands subject to this Agreement.

5. **Use by Lessee.** During the term of this Lease, Lessee will not divert or utilize the leased water rights except for mitigation purposes. Lessee will have no authority or responsibility for the operation, maintenance, use or any damages related to the lands associated with the leased water rights.

6. **Representations by Lessor.** Lessor covenants and represents that it is the true and lawful owner of the water rights and the land to which they are appurtenant, that these water rights have not lapsed, been abandoned or forfeited, either in whole or in part, and that Lessor is not aware of anything that restricts or precludes Lessor from entering into this Lease and Lessee utilizing the described water rights as set forth in paragraph 5.

7. **Breach.** In the event either party breaches this Lease and such breach is not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;
- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

9. **Choice of Law.** The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of Idaho. Any required mediation and arbitration shall occur in Ada County Idaho. Jurisdiction and venue for any litigation shall be in the District Court of the State of Idaho in Ada County.

10. **Dispute Resolution.** Any dispute between the parties shall be resolved in accordance with the following provisions.

10.1 **Mediation.** The parties shall designate a single mediator and appear before the mediator and attempt to mediate a settlement of the dispute. In the event the parties cannot agree to a mediator, then each party shall designate a representative and they will appoint a single mediator who shall serve as the mediator for the parties. Mediator costs will be split evenly between the Lessor and Lessee.

10.2 **Arbitration.** In the event the dispute between the parties cannot be settled as a result of mediation as described above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 9, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties.

10.3 **Litigation.** Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation or pursuant to an arbitrator's decision.

11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

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11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

DATED this 5TH day of MAY, 2005.

LESSOR: Farm Development Corp.
dba Sailor Creek Water Co.

By: Allen Noble

president

LESSEE:

IDAHO GROUND WATER
APPROPRIATORS, INC.

By: _____

Its: _____

DATED this _____ day of _____, 2005.

LESSOR:

**Farm Development Corporation
d.b.a. Sailor Creek Water Company
P.O. Box 1201
Boise, ID 83701**

By: _____

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

Acting for and on behalf of American Falls-Aberdeen,
Bingham, Bonneville-Jefferson, Magic Valley and North
Snake Irrigation Districts

By:  _____

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: Kevin Michaelson
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____
William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____
Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

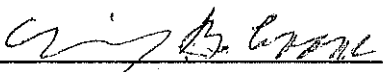
NORTH SNAKE GROUND WATER DISTRICT

By: _____
Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: _____
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: 
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____
William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

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By: _____
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Rupert, ID 83350

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Mike Faulkner, Chairman
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Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

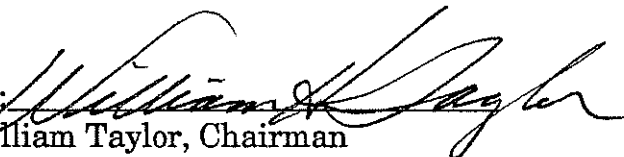
BINGHAM GROUND WATER DISTRICT

By: _____

Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____


William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

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Rupert, ID 83350

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Gooding, ID 83330

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American Falls, ID 83211

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By: _____

Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____

William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: *Orlo Maughan*

Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By: _____

Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

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By: _____

Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

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Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____

William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____

Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By:  _____

Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

LEASE SUMMARY:

Lease No.

Lessor: Clover Hollow, L.L.C.

Water Right Nos.: 2-2387, 2-2386, 2-2388, & 2-7148

Quantity: 7340.1 AF, 2446.7 Acres

WATER RIGHTS LEASE AGREEMENT

This Lease Agreement ("LEASE") made and entered into between the undersigned Lessor, and IDAHO GROUND WATER APPROPRIATORS, INC. ("IGWA"), acting for and on behalf of American Falls-Aberdeen, Bingham, Bonneville, Jefferson, Magic Valley, and North Snake Ground Water Districts, whose address is P.O. Box 1391, Pocatello, Idaho 83204 (collectively "Lessee"):

1. **Leased Property.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	POD	Priority	Quantity CFS/AF	Acres
2-2387	T=05S, R=07E, S=28	3-11-1966	1834.5	611.5
2-2386	T=05S, R=07E, S=28	3-11-1966	1806.3	602.1
2-2388	T=05S, R=07E, S=28	6-13-1966	1082.7	360.9
2-7148	T=05S, R=07E, S=28	7-1-1974	2616.6	872.2

Total: 7340.1 AF & 2446.7 acres

The foregoing water rights will hereafter be referred to as the "leased water rights".

2. **Term.** The term of this Lease shall be for a term commencing the date of signing as indicated below and terminating on November 15, 2005.

3. **Rent.** For the use of the leased water rights Lessee shall pay to Lessor rent in the amount of \$ _____ per irrigated acre (3 A/F x _____). The rent shall be paid one-half on May 30, 2005, and one-half on December 1, 2005.

- 3.1 The total acres and rent under this Lease is based upon Lessor's represented water rights and irrigated acres under the leased water rights in Lessor's Offer For Lease Proposal 1 and is subject to adjustment to the actual irrigated acres if different.
- 3.2 This lease agreement is conditional upon IDWR's review of Lessor's water right(s) and determination that the leased acres are eligible and qualified following the eligibility criteria set forth in items 1, 2, 3 in paragraph B in the Snake River Basin Water Rights Acquisition Program set forth in the Invitation for Offers to Sell Water Rights dated December 7, 2004, attached hereto as Exhibit "A"
- 3.3 Payment of the rent described above includes recognition and acknowledgement of an Option to Purchase **0 acre feet** of water consistent with paragraph 4 of the Letter of Intent dated April 1, 2005.

4. Non-Use by Lessor. Lessor covenants that it will not divert or utilize the leased water rights during the term of this Lease. The real property associated with the leased water rights will not be irrigated with the leased water rights but will remain under the sole management and control of Lessor and may be used for dry land agricultural, grazing or other uses.

- 4.1 Lessor grants to Lessee and/or IDWR access at all times to monitor lands subject to this Agreement.

5. Use by Lessee. During the term of this Lease, Lessee will not divert or utilize the leased water rights except for mitigation purposes. Lessee will have no authority or responsibility for the operation, maintenance, use or any damages related to the lands associated with the leased water rights.

6. Representations by Lessor. Lessor covenants and represents that it is the true and lawful owner of the water rights and the land to which they are appurtenant, that these water rights have not lapsed, been abandoned or forfeited, either in whole or in part, and that Lessor is not aware of anything that restricts or precludes Lessor from entering into this Lease and Lessee utilizing the described water rights as set forth in paragraph 5.

7. Breach. In the event either party breaches this Lease and such breach is not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;
- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

9. **Choice of Law.** The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of Idaho. Any required mediation and arbitration shall occur in Ada County Idaho. Jurisdiction and venue for any litigation shall be in the District Court of the State of Idaho in Ada County.

10. **Dispute Resolution.** Any dispute between the parties shall be resolved in accordance with the following provisions.

10.1 **Mediation.** The parties shall designate a single mediator and appear before the mediator and attempt to mediate a settlement of the dispute. In the event the parties cannot agree to a mediator, then each party shall designate a representative and they will appoint a single mediator who shall serve as the mediator for the parties. Mediator costs will be split evenly between the Lessor and Lessee.

10.2 **Arbitration.** In the event the dispute between the parties cannot be settled as a result of mediation as described above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 9, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties.

10.3 **Litigation.** Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation or pursuant to an arbitrator's decision.

11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

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11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

DATED this 5TH day of MAY, 2005.

Laurice Bantz
BERGH FARMS LLC BY
David E. Bergh

LESSOR: Clover Hollow, LLC

[Signature]
[Signature]

DATED this _____ day of _____, 2005.

LESSOR:

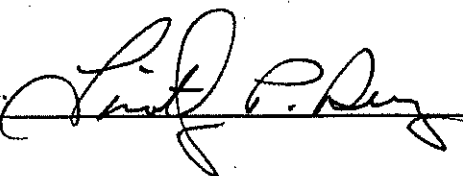
Clover Hollow Company, L.L.C.
P.O. Box 606
Mountain Home, ID 83647

By: _____

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

Acting for and on behalf of American Falls-Aberdeen,
Bingham, Bonneville-Jefferson, Magic Valley and North
Snake Irrigation Districts

By:  _____

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: Kevin Michaelson
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____
William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____
Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

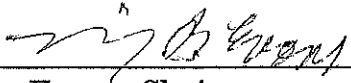
NORTH SNAKE GROUND WATER DISTRICT

By: _____
Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

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By: _____
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

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Craig Evans, Chairman
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Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

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William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

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Rupert, ID 83350

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Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

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Kevin Michaelson, Chairman

2590 Quigley

American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

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Craig Evans, Chairman

1523 W. 300 N.

Blackfoot, Idaho 83221

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By: _____

William Taylor, Chairman

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Idaho Falls, Idaho 83405-1121

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453 W. 90 N.

Rupert, ID 83350

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By: _____

Mike Faulkner, Chairman

1989 S. 1875 E.

Gooding, ID 83330

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American Falls, ID 83211

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By: _____

William Taylor, Chairman
P.O. Box 51121
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MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: Orlo Maughan

Orlo Maughan, Chairman
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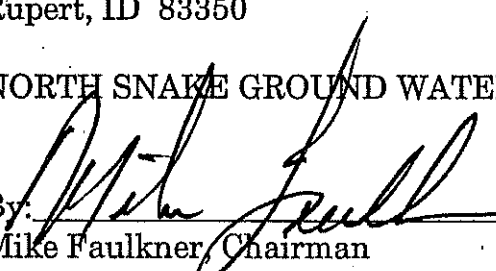
BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____
William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____
Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By:  _____
Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

LEASE SUMMARY:
Lease No.
Lessor: Don Hartley
Water Right Nos.: 2-7001, 2-2361 & 2-2370
Quantity: 1740 AF, 580 Acres

WATER RIGHTS LEASE AGREEMENT

This Lease Agreement ("LEASE") made and entered into between the undersigned Lessor, and IDAHO GROUND WATER APPROPRIATORS, INC. ("IGWA"), acting for and on behalf of American Falls-Aberdeen, Bingham, Bonneville, Jefferson, Magic Valley, and North Snake Ground Water Districts, whose address is P.O. Box 1391, Pocatello, Idaho 83204 (collectively "Lessee"):

1. **Leased Property.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	POD	Priority	Quantity CFS/AF	Acres
2-7001	T=03S, R=01E, S=06	7-15-1967	1740	580
2-2361	T=03S, R=01E, S=06	1-8-1965		
2-2370	T=03S, R=01E, S=06	4-30-1965		

Total: 1740 AF & 580 acres

The foregoing water rights will hereafter be referred to as the "leased water rights".

2. **Term.** The term of this Lease shall be for a term commencing the date of signing as indicated below and terminating on November 15, 2005.

3. **Rent.** For the use of the leased water rights Lessee shall pay to Lessor rent in the amount of \$ _____ per irrigated acre (3 A/F x _____). The rent shall be paid one-half on May 30, 2005, and one-half on December 1, 2005.

3.1 The total acres and rent under this Lease is based upon Lessor's represented water rights and irrigated acres under the leased water

rights in Lessor's Offer For Lease Proposal 1 and is subject to adjustment to the actual irrigated acres if different.

3.2 This lease agreement is conditional upon IDWR's review of Lessor's water right(s) and determination that the leased acres are eligible and qualified following the eligibility criteria set forth in items 1, 2, 3 in paragraph B in the Snake River Basin Water Rights Acquisition Program set forth in the Invitation for Offers to Sell Water Rights dated December 7, 2004, attached hereto as Exhibit "A"

3.3 Payment of the rent described above includes recognition and acknowledgement of an Option to Purchase **0 acre feet** of water consistent with paragraph 4 of the Letter of Intent dated April 1, 2005.

4. Non-Use by Lessor. Lessor covenants that it will not divert or utilize the leased water rights during the term of this Lease. The real property associated with the leased water rights will not be irrigated with the leased water rights but will remain under the sole management and control of Lessor and may be used for dry land agricultural, grazing or other uses.

4.1 Lessor grants to Lessee and/or IDWR access at all times to monitor lands subject to this Agreement.

5. Use by Lessee. During the term of this Lease, Lessee will not divert or utilize the leased water rights except for mitigation purposes. Lessee will have no authority or responsibility for the operation, maintenance, use or any damages related to the lands associated with the leased water rights.

6. Representations by Lessor. Lessor covenants and represents that it is the true and lawful owner of the water rights and the land to which they are appurtenant, that these water rights have not lapsed, been abandoned or forfeited, either in whole or in part, and that Lessor is not aware of anything that restricts or precludes Lessor from entering into this Lease and Lessee utilizing the described water rights as set forth in paragraph 5.

7. Breach. In the event either party breaches this Lease and such breach is not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;
- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

9. **Choice of Law.** The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of Idaho. Any required mediation and arbitration shall occur in Ada County Idaho. Jurisdiction and venue for any litigation shall be in the District Court of the State of Idaho in Ada County.

10. **Dispute Resolution.** Any dispute between the parties shall be resolved in accordance with the following provisions.

10.1 **Mediation.** The parties shall designate a single mediator and appear before the mediator and attempt to mediate a settlement of the dispute. In the event the parties cannot agree to a mediator, then each party shall designate a representative and they will appoint a single mediator who shall serve as the mediator for the parties. Mediator costs will be split evenly between the Lessor and Lessee.

10.2 **Arbitration.** In the event the dispute between the parties cannot be settled as a result of mediation as described above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 9, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties.

10.3 **Litigation.** Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation or pursuant to an arbitrator's decision.

11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

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10.2 **Arbitration.** In the event the dispute between the parties cannot be settled as a result of mediation as described above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 8, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties.

10.3 **Litigation.** Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation or pursuant to an arbitrator's decision.

11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

DATED this 5 day of May, 2005.

LESSOR:

Murphy Flat Water Co. Inc.

By: Don Hootley President

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

By: _____
Its: _____

DATED this _____ day of _____, 2005.

LESSOR:

**Don Hartley
c/o Murphy Flats Water Company
11854 W. Flintlock Drive
Boise, ID 83713**

By: _____

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

Acting for and on behalf of American Falls-Aberdeen,
Bingham, Bonneville-Jefferson, Magic Valley and North
Snake Irrigation Districts

By:  _____

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: Kevin Michaelson
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____
William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____
Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

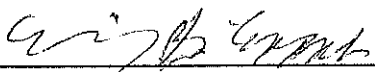
NORTH SNAKE GROUND WATER DISTRICT

By: _____
Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: _____
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: 
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

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William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

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American Falls, ID 83211

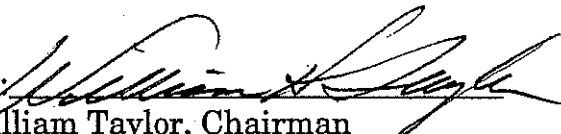
BINGHAM GROUND WATER DISTRICT

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Craig Evans, Chairman
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Blackfoot, Idaho 83221

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William Taylor, Chairman
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Idaho Falls, Idaho 83405-1121

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Rupert, ID 83350

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American Falls, ID 83211

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By: _____

Craig Evans, Chairman
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Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____

William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: Orlo Maughan

Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

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By: _____

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2590 Quigley
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1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____

William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____

Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By:  _____

Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

LEASE SUMMARY:

Lease No.

Lessor: South Elmore Irrigation Co.

Water Right Nos.: 2-2210, 2-2269 & 2-2367

Quantity: 10,695 AF, 3565 Acres

WATER RIGHTS LEASE AGREEMENT

This Lease Agreement ("LEASE") made and entered into between the undersigned Lessor, and IDAHO GROUND WATER APPROPRIATORS, INC. ("IGWA"), acting for and on behalf of American Falls-Aberdeen, Bingham, Bonneville, Jefferson, Magic Valley, and North Snake Ground Water Districts, whose address is P.O. Box 1391, Pocatello, Idaho 83204 (collectively "Lessee"):

1. **Leased Property.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	POD	Priority	Quantity CFS/AF	Acres
2-02269 & 2-02367	T=05S, R=07E, S=28	2-19-1964 & 3-22-1965	10,017	3339
2-02210	T=05S, R=07E, S=28	4-12-1963	678	226

Total: 10,695 AF & 3,565 acres

The foregoing water rights will hereafter be referred to as the "leased water rights".

2. **Term.** The term of this Lease shall be for a term commencing the date of signing as indicated below and terminating on November 15, 2005.

3. **Rent.** For the use of the leased water rights Lessee shall pay to Lessor rent in the amount of \$ _____ per irrigated acre (3 A/F x '_____. The rent shall be paid one-half on May 30, 2005, and one-half on December 1, 2005.

3.1 The total acres and rent under this Lease is based upon Lessor's represented water rights and irrigated acres under the leased water rights in Lessor's Offer For Lease Proposal 1 and is subject to adjustment to the actual irrigated acres if different.

3.2 This lease agreement is conditional upon IDWR's review of Lessor's water right(s) and determination that the leased acres are eligible and qualified following the eligibility criteria set forth in items 1, 2, 3 in paragraph B in the Snake River Basin Water Rights Acquisition Program set forth in the Invitation for Offers to Sell Water Rights dated December 7, 2004, attached hereto as Exhibit "A"

3.3 Payment of the rent described above includes recognition and acknowledgement of an Option to Purchase **0 acre feet** of water consistent with paragraph 4 of the Letter of Intent dated April 1, 2005.

4. **Non-Use by Lessor.** Lessor covenants that it will not divert or utilize the leased water rights during the term of this Lease. The real property associated with the leased water rights will not be irrigated with the leased water rights but will remain under the sole management and control of Lessor and may be used for dry land agricultural, grazing or other uses.

4.1 Lessor grants to Lessee and/or IDWR access at all times to monitor lands subject to this Agreement.

5. **Use by Lessee.** During the term of this Lease, Lessee will not divert or utilize the leased water rights except for mitigation purposes. Lessee will have no authority or responsibility for the operation, maintenance, use or any damages related to the lands associated with the leased water rights.

6. **Representations by Lessor.** Lessor covenants and represents that it is the true and lawful owner of the water rights and the land to which they are appurtenant, that these water rights have not lapsed, been abandoned or forfeited, either in whole or in part, and that Lessor is not aware of anything that restricts or precludes Lessor from entering into this Lease and Lessee utilizing the described water rights as set forth in paragraph 5.

7. **Breach.** In the event either party breaches this Lease and such breach is not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;
- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

9. **Choice of Law.** The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of Idaho. Any required mediation and arbitration shall occur in Ada County Idaho. Jurisdiction and venue for any litigation shall be in the District Court of the State of Idaho in Ada County.

10. **Dispute Resolution.** Any dispute between the parties shall be resolved in accordance with the following provisions.

10.1 **Mediation.** The parties shall designate a single mediator and appear before the mediator and attempt to mediate a settlement of the dispute. In the event the parties cannot agree to a mediator, then each party shall designate a representative and they will appoint a single mediator who shall serve as the mediator for the parties. Mediator costs will be split evenly between the Lessor and Lessee.

10.2 **Arbitration.** In the event the dispute between the parties cannot be settled as a result of mediation as described above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 9, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties.

10.3 **Litigation.** Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation or pursuant to an arbitrator's decision.

11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

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11. **Attorney Fees.** In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. **Binding Effect.** This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

DATED this 5th day of May, 2005.

LESSOR: South Elmore Irrigation Co., Inc.

[Signature] President
[Signature] Secretary

DATED this _____ day of _____, 2005.

LESSOR:

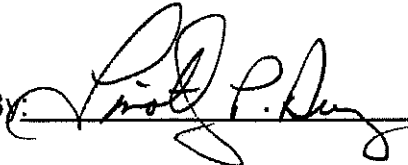
**South Elmore Irrigation Company
P.O. Box 396
Mountain Home, ID 83647**

By: _____

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

Acting for and on behalf of American Falls-Aberdeen,
Bingham, Bonneville-Jefferson, Magic Valley and North
Snake Irrigation Districts

By:  _____

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: Kevin Michaelson
Kevin Michaelson, Chairman
2590 Quigley
American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____
Craig Evans, Chairman
1523 W. 300 N.
Blackfoot, Idaho 83221

BONNEVILLE JEFFERSON GROUND WATER DISTRICT

By: _____
William Taylor, Chairman
P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____
Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By: _____
Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: _____

Kevin Michaelson, Chairman

2590 Quigley

American Falls, ID 83211

BINGHAM GROUND WATER DISTRICT

By: _____

Craig Evans, Chairman

1523 W. 300 N.

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Gooding, ID 83330

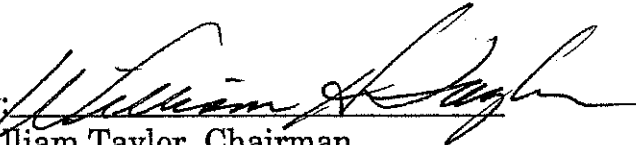
AMERICAN FALLS - ABERDEEN GROUND WATER DISTRICT

By: _____
Kevin Michaelson, Chairman
2590 Quigley
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By: _____

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P.O. Box 51121
Idaho Falls, Idaho 83405-1121

MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: Orlo Maughan

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MAGIC VALLEY UNDERGROUND PUMPERS ASSOCIATION

By: _____

Orlo Maughan, Chairman
453 W. 90 N.
Rupert, ID 83350

NORTH SNAKE GROUND WATER DISTRICT

By:  _____

Mike Faulkner, Chairman
1989 S. 1875 E.
Gooding, ID 83330

LEASE SUMMARY:

Lease No. _____

Lessee: United Water

Water Right Nos. 02-2341, 02-2358, 02-2420, 02-2339

Quantity: 46.21 CFS, 11,992.5 AF, 2665 Acres

WATER RIGHTS LEASE AGREEMENT

This Lease Agreement ("LEASE") made and entered into between the undersigned UNITED WATER IDAHO INC., P.O. Box 190420, Boise, Idaho 83719-0420 ("Lessor"), and IDAHO GROUND WATER APPROPRIATORS, INC. ("IGWA"), acting for and on behalf of American Falls-Aberdeen, Bingham, Bonneville, Jefferson, Magic Valley, North Snake and Southwest Irrigation Districts, whose address is P.O. Box 1391, Pocatello, Idaho 83204 (collectively "Lessee"):

1. **Leased Property.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	POD	Priority	Quantity CFS/AF	Acres
02-2341	T=01S, R=01W, S=35	12/28/64	35.21 / 2817	626
02-2358	T=01S, R=01W, S=35	07/28/64	3262.5	725
02-2420	T=-1S, R=01W, S=35	12/31/63	3168	704
02-2339	T=02S, R=01E, S=19	12/07/64	11.0 / 2745	610

Total:**46.21/11,992.5 2665**

The foregoing water rights will hereafter be referred to as the "leased water rights".

2. **Term.** The term of this Lease shall be for a term commencing the date of signing as indicated below and terminating on November 15, 2005.

3. **Rent.** For the use of the leased water rights Lessee shall pay to Lessor rent in the amount of \$ per Acre Foot, a total of \$ for the estimated total of 11,992 Acre Feet. The rent shall be paid one-half on May 30, 2005, and one-half on December 1, 2005.

3.1 The total acres and rent under this Lease is based upon Lessor's represented water rights and irrigated acres under the leased water rights in Lessor's Offer For Lease Proposal 1 and is subject to adjustment to the actual irrigated acres if different.

3.2 This lease agreement is conditional upon IDWR's review of Lessor's water right(s) and determination that the leased acres are eligible and qualified following the eligibility criteria set forth in items 1, 2, 3 in paragraph B in the Snake River Basin Water Rights Acquisition Program set forth in the Invitation for Offers to Sell Water Rights dated December 7, 2004, attached hereto as Exhibit "A"

4. **Non-Use by Lessor.** Lessor covenants that it will not divert or utilize the leased water rights during the term of this Lease.

5. **Use by Lessee.** During the term of this Lease, Lessee will not divert or utilize the leased water rights except for mitigation purposes.

6. **Representations by Lessor.** Lessor covenants and represents that it is the true and lawful owner of the water rights, that these water rights have not lapsed, been abandoned or forfeited, either in whole or in part, and that Lessor is not aware of anything that restricts or precludes Lessor from entering into this Lease and Lessee utilizing the described water rights as set forth in paragraph 5.

7. **Breach.** In the event either party breaches this Lease and such breach is not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;
- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

8. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

9. **Choice of Law.** The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of Idaho. Any required mediation

and arbitration shall occur in Ada County, Idaho. Jurisdiction and venue for any litigation shall be in the District Court of the State of Idaho in Ada County.

10. Dispute Resolution. Any dispute between the parties shall be resolved in accordance with the following provisions.

10.1 Mediation. The parties shall designate a single mediator and appear before the mediator and attempt to mediate a settlement of the dispute. In the event the parties cannot agree to a mediator, then each party shall designate a representative and they will appoint a single mediator who shall serve as the mediator for the parties. Mediator costs will be split evenly between the Lessor and Lessee.

10.2 Arbitration. In the event the dispute between the parties cannot be settled as a result of mediation as described above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 9, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties.

10.3 Litigation. Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation or pursuant to an arbitrator's decision.

11. Attorney Fees. In the event of any arbitration over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

12. Binding Effect. This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

DATED this 11 day of May, 2005.

LESSOR:
UNITED WATER IDAHO INC.

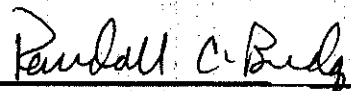
By:  VICE President

LESSEE:

**IDAHO GROUND WATER
APPROPRIATORS, INC.**

By:  TIM DEEG, President

ATTESTED:


RANDALL C. BUDGE, Secretary

ATTACHMENT D

BEFORE THE IDAHO WATER RESOURCE BOARD

IN THE MATTER OF THE)	A RESOLUTION TO AUTHORIZE
AMERICAN FALLS-ABERDEEN, BINGHAM,)	A FUNDING COMMITMENT
BONNEVILLE-JEFFERSON, MAGIC VALLEY)	
AND NORTH SNAKE GROUND WATER)	
DISTRICTS _____)	

WHEREAS, a Letter of Intent from Idaho Ground Water Appropriators, Inc. on behalf of the AMERICAN FALLS-ABERDEEN GROUND WATER DISTRICT, the BINGHAM GROUND WATER DISTRICT, the BONNEVILLE-JEFFERSON GROUND WATER DISTRICT, the MAGIC VALLEY GROUND WATER DISTRICT, and the NORTH SNAKE GROUND WATER DISTRICT (Districts) has been submitted to the IDAHO WATER RESOURCE BOARD (IWRB) requesting a loan in the amount of \$2,450,118 to lease Snake River water rights for the 2005 irrigation season and to provide monies for an option payment to be credited toward the sales price associated with permanent acquisition of a portion of the leased water; and

WHEREAS, the 58th Idaho Legislature authorized the IWRB to finance, acquire, operate and maintain a program or projects to enhance water supplies and reduce demand for water and appropriated funds to the IWRB Revolving Development Account for water projects and to lease water rights; and

WHEREAS the Districts are formed pursuant to Title 42, Chapter 52 of the Idaho Code, and have the function to provide mitigation for injury caused to senior water right holders by junior ground water pumpers that are members of the Districts; and

WHEREAS, the Districts have negotiated agreements to lease natural flow water rights for the 2005 irrigation season, with an option to permanently acquire some of the leased water; and

WHEREAS, the Director of the Idaho Department of Water Resources (IDWR), through his amended order of May 2, 2005 regarding the delivery of water to certain Magic Valley-area canals, is requiring certain ground water users within Water Districts No. 120 and 130 to provide replacement water to certain Magic Valley area canals as specified in the order; and

WHEREAS, acquired water in excess of that needed to satisfy the Director's amended order of May 2, 2005 will be used for other mitigation activities such as the Sandy Pipeline and the conversion projects undertaken by the Districts; and

WHEREAS, during 2005, the Districts would utilize the below-Milner natural flow leased water to exchange with stored water released by the federal government from Palisades Reservoir in order to mitigate the impacts of ground water pumping on spring flows from the Eastern Snake Plain Aquifer tributary to the Snake River; and

WHEREAS, the Districts are proposing to lease 63,055.5 acre-feet subject to verification of actual quantities by IDWR, from natural flow water right owners below Milner; and

WHEREAS, the Districts are also proposing to lease 11,992 acre-feet of below-Milner Snake River water from United Water Idaho subject to verification of actual quantities by IDWR; and


WHEREAS, the Districts are qualified applicants and the leasing of water rights qualifies for a loan from the funds appropriated to the IWRB's Revolving Development Account.

NOW THEREFORE BE IT RESOLVED that the IWRB authorizes loan funds, not to exceed \$2,625,504.70 for leasing water from the Revolving Development Account at 4% interest with a 3-year repayment term and provides authority to the Director of the Idaho Department of Water Resources to enter into contracts with the Districts.

BE IT FURTHER RESOLVED that this resolution and the authorization of the loan is subject to the following conditions:

1. The funds authorized by this resolution shall be loaned pursuant to contracts developed between the IWRB and each participating District, according to the amount of participation by each District.
2. The Districts shall comply with all legal requirements concerning incurring this debt and the proposed leasing and use of the water rights.
3. The Districts shall agree to exercise their assessment authorities to provide security for the loan authorized by this resolution.
4. The water rights being leased using these funds shall be subject to verification of actual quantities by IDWR.

DATED this 13th day of May 2005.


JERRY R. RIGBY, Chairman
Idaho Water Resource Board


ATTEST
D. RICHARD WYATT, Secretary

ATTACHMENT E

Description of Analysis of Mitigation Credits May 23, 2005

This document briefly describes the procedures used to determine certain of the mitigation credits claimed in the Idaho Ground Water Appropriators' (IGWA) Initial Plan for Providing Replacement Water ("Replacement Plan"). The Replacement Plan was filed on April 29, 2005, in response to the Director's Order of April 19, 2005 (amended May 2, 2005). The analyses described below were used to calculate the claimed mitigation credits stemming from water supply activities undertaken or planned in Water District 130 over the period 2002-2005 and from dry-year leases planned in 2005 primarily in Water District 120. These activities are summarized in Attachments C and A, respectively, of the Replacement Plan. Electronic files used in the analyses are on the enclosed CD and referenced herein as appropriate.

The analyses were carried out in part using tools and data obtained from researchers at the Idaho Water Resources Research Institute (IWRRI). The tools used were: (1) the Conversion Tool (River and Spring Response to Stresses Applied at Conversion Projects) – an ExcelTM workbook of convolving response functions for conversion project sites, (2) the Recharge Tool (River and Spring Response to Recharge Applied to Recharge Sites Below Milner Dam) – an ExcelTM workbook of convolving response functions for recharge sites, and (3) a transient flat water table version of the Eastern Snake Plain Aquifer (ESPA) model. The Conversion Tool was used for the analysis of water deliveries to existing conversion sites in the North Snake Ground Water District (NSGWD). The Recharge Tool was used for the analysis of targeted recharge in the NSGWD. Model simulations were used for the analysis of canal seepage, pumping reductions, curtailments and dry-year leases.

Analyses Using the Conversion Tool

The Conversion Tool was used to determine the Blackfoot – Minidoka reach gain credits (hereafter "credits") occurring in 2005 from conversions in the NSGWD that began in 2002. The conversions analysis treated canal seepage separately from water delivered to the conversion sites themselves. Canal seepage was assumed to equal 30% of total amount of water diverted at Milner for conversions. This seepage was subtracted from the total diversion. The remainder was assumed to be delivery at the conversion sites and was input to the Conversion Tool workbook. The canal seepage portion of the diversion was analyzed separately using the ESPA model as described later in this document.

Credits for 2002-2004 water deliveries to conversion sites were calculated separately from those anticipated from 2005 deliveries. The workbook used for the 2002-2004 conversion analysis is *Conversions_NSGD_2002-2004.xls*. The workbook for the 2005 analysis is *Conversions_NSGD_Only2005.xls*. These

workbooks are found in the *Conversions* directory on the attached CD. The workbooks contain the input data used to calculate the credits. Other than entering the water supply input data, no changes were made to the workbook versions obtained from IWRRI. Conversion deliveries for 2005 were assumed to be identical to those of 2004.

Analyses Using the Recharge Tool

The Recharge Tool was used to determine the credits occurring in 2005 from planned targeted recharge of 1600 acre-feet of water by the NSGWD. This recharge was assumed to occur at the K Canal site. Credits were calculated the workbook *RechargeLowerSnake_2005_NSGWD.xls* found in the *Recharge* directory. Other than entering the water supply input data, no changes were made to the workbook obtained from IWRRI.

Analyses Using the ESPA Model

The ESPA model was used to calculate credits occurring in 2005 from canal seepage, pumping reductions, curtailments and dry-year leases in 2005 and prior years in which mitigation activities occurred. All model simulations were done using daily time step. This required that certain changes be made in the model discretization file (file extension .DIS) and the output control file (file extension .OCL). Changes were also made to the name file (file extension .NAM) to facilitate identification of different model runs. No other modifications were made to the version of the ESPA model obtained from IWRRI. Other necessary model files used directly from the IWRRI model for simulations include *conftr.BC6*, *ibound.ibd*, *standard.LMG*, *super.BA6*, *super.riv*, *sy.ref*, and *transm.ref*.

Canal Seepage

Canal seepage was assumed to be 30% of the total amount of water diverted at Milner to serve conversions and to supply the Sandy Pipeline project. All seepage was assumed to occur in the North Side Canal. Seepage was distributed spatially among model cells intersected by the canal.

Pumping Reductions

Pumping reductions occurred in 2002 and 2004 in the Magic Valley Ground Water District (MVGWD) and the NSGWD under interim agreements reached with spring users. These pumping reductions were distributed uniformly over the model cells comprising those districts.

The canal seepage and pumping reductions analysis was carried out in a single stress file. Files corresponding to canal seepage and pumping reductions are in the *CanalSeepageAndPumpingReductions* directory. The two subdirectories under this directory are *Mitigations2002-2004* (for the 2002-2004 mitigation activities), and *MitigationsOnly2005* (only 2005 activities). The necessary MODFLOW data files are located in directory *ModflowData* under each of the

above directories. The respective well files are *ESRP_WEL_Dbld_HistoricalMitigation02-04.txt* (corresponding to 2002-2004 activities), and *ESRP_WEL_Dbld_HistoricalMitigation2005.txt*.

Curtailments

Curtailments of ground water pumping of 10% were assumed to occur in 2005 in the MVGWD and NSGWD. Credits from these curtailments were scaled linearly from results of simulating complete (i.e., 100%) curtailment of pumping in each of those districts. The 100% curtailment analysis used the cell stress file created by IWRRI for its analysis of curtailment of post-1870 ground water rights. This file was modified to reflect a daily time step and pumping only in the irrigation season, and then screened using GIS to exclude stresses outside the two districts' boundaries. It was then input to the model to determine effects of 100% curtailment in just those districts. This procedure implies that the 10% curtailment is uniformly distributed across the districts.

Curtailment specific model files can be found in *Curtailments\ModflowData* on the attached CD.

Dry Year Leases

Credits from drying up selected acres under IGWA's 2005 dry-year leasing program were determined in a two-step process. First, unit response functions were derived for pumping in model cells corresponding to each of the potential lease locations. These unit responses were then scaled based on the dry-up acreages allowed for lands finally leased. The response functions were developed by simulating the impact of a pumping volume of 18,200 cubic feet/day in the first stress period (i.e. irrigation season, 182 days). So the total volume used in this simulation was 18,200 cubic feet/day times 182 days (i.e. 3,312,400 cubic feet). This effect was then scaled depending upon available acreage.

All well files and other necessary MODFLOW inputs for the dry-year lease analysis can be found on the CD in the directory *DryYearLease\ModflowData*. The well file names correspond to the location of the acres in the ESPA model cell. For example, the prefix SP066128 corresponds to model cell row 66 and column 128. As described earlier, since simulations were carried out using daily time step, the discretization file used here reflects the necessary modifications from the IWRRI version. The name file in this directory contains a generic well file, named run.WEL, which needs to be substituted with an appropriate well file (i.e. well file names starting with SP).

All MODFLOW simulations were carried out using MODFLOW-2000 (U.S. GEOLOGICAL SURVEY MODULAR FINITE-DIFFERENCE GROUND-WATER FLOW MODEL) Version 1.10 07/26/2002. The executable code (*MF2K1.EXE*) is in directory *MODFLOWExecutable*.

Supporting Data Files

Files used or created as part of the GIS analysis supporting the calculation of credits are in directory *GISSupportFiles* on the enclosed CD. A description of these files is given below.

GIS Files

ArcView Shape Files: (Map Projection IDTM NAD 27, see .prj files for specs)

Magic Valley and North Snake Irrigation District Boundaries

NorthSnakeAndMagicValleyIDs_region.*

Model Cells Intersected by Irrigation District Boundaries

MVID_Cells_region.*

NSID_Cells_region.*

Model Cells Intersected by the North Side Canal

NorthSideCanalCells_region.*

Model Cells Intersected by the Lease Offer Locations

LeaseOfferCells_region.*

*Notes: Lease offer locations corresponding to the list in the file
Lease Offers Spreadsheet 4-29-05.xls*

PDF Files

Map showing Model Cells Intersected by the North Side Canal

CanalRechargeCellsMap.pdf

Source: Figure 2 from "Snake River Plain Aquifer Model Scenario: Managed Recharge in the Thousand Springs Area "Managed Recharge Scenario", November, 2004, B. A. Contor, D. M. Cosgrove, G. S. Johnson, N. Rinehart, A. Wylie, Idaho Water Resources Research Institute, University of Idaho, for the Idaho Department of Water Resources with guidance from the Eastern Snake Hydrologic Modeling Committee (IWRRI Technical Report 04-002)

Map of Model Grid Cells affected by the reach gain benefits modeling

AllRechargeCellsIllustrationMap.pdf

Includes:

- 1) the canal recharge cells
- 2) the irrigation district cells
- 3) the modeled lease offer cells